

## Message Text

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ACTION EA-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-01  
INR-10 NSAE-00 ICA-20 TRSE-00 XMB-04 OPIC-06  
SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-07  
CEA-01 PA-02 /105 W  
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R 090905Z JUN 78  
FM AMEMBASSY TOKYO  
TO SECSTATE WASHDC 8671

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E.O. 11652: N/A  
TAGS: EFIN, JA  
SUBJECT: EPA SURVEY OF TRADING COS EXPORT/IMPORT PROSPECTS

1. SUMMARY: PRESS ACCOUNTS OF RECENT DAYS HAVE GIVEN AN EXAGGERATED SIGNIFICANCE TO THE LATEST QUARTERLY ECONOMIC PLANNING AGENCY (EPA) SURVEY OF JAPANESE TRADE PROSPECTS. THE SURVEY OF 33 TRADING COMPANIES SHOWS EXPORT GROWTH PEAKING IN THE FIRST HALF OF 1978 AND GRADUALLY DECLINING WHILE IMPORTS, AFTER A VERY WEAK FIRST HALF, BEGIN A GRADUAL RECOVERY IN THE SECOND HALF. EXTRAPOLATION OF THE SURVEY RESULTS IMPLIES A \$23-24 BIL 1978 TRADE SURPLUS. JAPANESE PRESS HAS MISLEADINGLY IMPLIED THIS IS AN OFFICIAL FORECAST, WHICH IT IS NOT. PAST PERFORMANCE OF SURVEY IS SPOTTY. END SUMMARY.

2. ACCORDING TO THE SURVEY, JAPANESE TRADING COMPANIES CANVASSED EXPECT EXPORTS, IN YEN TERMS, TO RISE 0.6 PERCENT IN CY 78 WHILE IMPORTS ARE PROJECTED TO DROP 4.9 PERCENT. THE SURVEY IMPLIES THE TRADE SURPLUS WILL PEAK IN THE FIRST HALF OF 1978 AS SECOND HALF EXPORTS ARE PROJECTED TO DECLINE 2.1 PERCENT WHILE IMPORTS RISE 2.5 PERCENT. THE SLOWED PACE OF EXPORTS IS ATTRIBUTED TO THE CUMULATIVE EFFECTS OF YEN APPRECIATION AS WELL AS  
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EXPORT RESTRAINTS WHILE THE WEAK LEVEL OF IMPORTS IN YEN TERMS IS ASCRIBED TO REDUCED YEN PRICES DUE TO YEN APPRECIATION. AN EPA SPOKESMAN REPORTEDLY NOTED THAT THE FULL YEAR TRENDS WOULD IMPLY A \$23-24 BIL TRADE SURPLUS (IMF BASIS) FOR 1978 VERSUS A \$17.5 BIL SURPLUS IN 1977, ALTHOUGH THE SURPLUS WOULD BEGIN NARROWING IN THE LATTER HALF OF THIS YEAR.

3. THE SURVEY HAS A MIXED TRACK RECORD FOR PREDICTING BEYOND THE CURRENT QUARTER. IN THE LAST TWO YEARS IT HAS TENDED TO OVERESTIMATE ACTUAL RESULTS FOR BOTH IMPORTS AND EXPORTS WITH THE ERROR OCCASIONALLY EXCEEDING 15 PERCENT. IN EARLIER YEARS IT TENDED TO UNDERPREDICT. IN 1973, FOR EXAMPLE, WHEN JAPAN WAS FEELING THE COMBINED EFFECTS OF DOMESTIC EXPANSION AND THE LAGGED IMPACT OF YEN APPRECIATION, IMPORTS WERE UNDERESTIMATED BY AS MUCH AS 30 PERCENT. THE 33 FIRMS SURVEYED ACCOUNT FOR ABOUT 60 PERCENT OF JAPANESE TRADE. THE COVERAGE ON THE IMPORT SIDE IS QUITE COMPREHENSIVE BUT ON THE EXPORT SIDE SHIP EXPORTS ARE UNREPRESENTED AND COVERAGE OF EXPORTS OF CARS AND ELECTRICAL APPLIANCES IS ONLY PARTIAL. SEPARATE SURVEYS SHOW A DROP IN SHIP EXPORTS AND A WEAKENING OF OVERSEAS CAR SALES.

4. WITH THE CUMULATIVE TRADE SURPLUS FOR THE FIRST 4 MONTHS OF 1978 ALREADY AT \$9.2 BIL (S.A.), A RECORD SURPLUS FOR THE FIRST HALF IS VIRTUALLY ASSURED, AS THE EPA SURVEY IMPLIES. SOME PRESS STORIES HOWEVER, HAVE GIVEN THE INACCURATE IMPRESSION THAT THE EXTRAPOLATED \$23-24 BIL TRADE SURPLUS FOR 1978 CONSTITUTES A NEW OFFICIAL FORECAST. IT DOES NOT. THE OFFICIAL FORECAST IS MADE ON A FISCAL YEAR BASIS IN CONJUNCTION WITH THE BUDGETARY CYCLE. IT HAS NOT BEEN OFFICIALLY REVISED

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FROM THE \$13.5 BIL FIGURE SET FOR FY 1978 AND IN ANY CASE THE FORECAST FOR JFY 78 WOULD NOT INCLUDE THE EXTREMELY LARGE JAN-MAR QUARTER SURPLUS. MANSFIELD

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## Message Attributes

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**Review Markings:**  
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